

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
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FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 1703
INFO AMCONSUL ADANA
AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBEASSY NICOSIA
AMEMBASSY PARIS IMMEDIATE
DEPARTMENT OF TREASURY

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SUBJ: TURKISH GOVERNMENT FINANCIAL DATA: COMMENT AND CLARIFICATION

REF: (A) ANKARA 3085, (B) ANKARA 3090, (C) ANKARA 3096,
(D) ANKARA 3100, (E) ANKARA 3108

1. THIS IS THE SIXTH AND LAST CABLE IN A SERIES TRANSMITTING
DATA PROVIDED BY THE TURKISH GOVERNMENT ON CURRENT FINANCIAL
CONDITIONS TO A GROUP OF BANKS VISITING ANKARA APRIL 14-15
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AND TO THEIS EMBASSY. THIS CABLE PROVIDES EMBASSY'S
COMMENTS, A CLARIFICATION OF APPARENT DISCREPANCIES AND
AN EXPLANATION OF SOME ASSUMPTIONS USED IN THE PROJECTIONS.

2. EMBASSY QUESTIONED CENTRAL BANK OFFICIALS ABOUT THE
APPARENT DISCREPANCY BETWEEN FIGURES GIVEN FOR INTEREST
AND AMORTIZATION PAYMENTS ON "PUBLIC DEBT OUTSTANDING"

IN THE BALANCE OF PAYMENTS PROJECTIONS (LINES 7 AND 12 IN REF C) AND THE DEBT SERVICE PROJECTIONS (ITEM 1, TABLE 1 OF REF D). THE RESPONSE WAS THAT IN THE BALANCE OF PAYMENTS PROJECTIONS (REF C) IT WAS ASSUMED THHAT TURKEY WOULD SERVICE ITS PUBLIC DEBT AS IT CAME DUE WHILE IN THE DEBT SERVICE PROJECTIONS (FEF D) IT WAS ASSUMED AMORTIZATION PAYMENTS WOULD BE MADE ONLY ON DEBT OWED TO THE WORLD BANK AND A FIVE-YEAR AMORTIZATION MORATORIUM WOULD BE GIVEN ON PUBLIC DEBT OWED TO OTHER CREDITORS. IF THE FIRST ASSUMPTION IS USED IN BOTH PROJECTIONS, TURKEY'S DEBT SERVICE PAYMENTS (REF D) ARE UNDER- STATED. IF, ON THEOTHER HAND, THE SECOND ASSUMPTION IS USED IN BOTH PROJECTIONS, TURKEY'S FINANCING REQUIREMENTS (LINE 20, REF C) ARE OVERSTATED.

3. FOR EXAMPLE, UNDER THE FIRST ASSUMPTION TOTAL DEBT SERVICE FOR 1978 INCREASES FROM \$682 MILLION TO \$965 MIL- LION. THE DEBT SERVICE RATION CORRESPONDINGLY JUMPS FROM .27 TI .38. UNDER THE SECOND ASSUMPTION, HOWEVER, TURKEY'S 1978 FINANCING REQUIREMENT IS REDUCED FROM \$1,045 MILLION TO \$762 MILLION.

4. CENTRAL BANK CONTACT COUTIONED US NOT TO MAKE TOO CRITICAL AN ANALYSIS OF THESE PROJECTIONS SINCE, HE SAID, THEY WERE PREPARED PRIMARILY AS "DISCUSSION PAPERS" FOR THE MEETING WITH THE BANKS. (COMMENT: WE LIMITED OFFICIAL USE

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ASSUME THAT WHILE THE GOT PREFERS TO GET A FIVE-YEAR MORATORIUM ON PUBLIC DEBT PRINCIPAL PAYMENTS, IT INCLUDED SUCH PAYMENTS IN THE BALANCE OF PAYMENTS PROJECTIONS IN AN EFFORT TO JUSTIFY ITS REQUEST TO THE BANKS FOR \$600 MILLION IN NEW EURO CURRENCY CREDITS.)

5. SOME OTHER CLARIFYING POINTS ARE: A) FIGURES LISTED FOR "1978 CONSOLIDATION" (LINES 8 AND 13, REF C AND ITEM 2, REF D) REFER ONLY TO THE PROPOSED CONSOLIDATION OF SHORT-TERM ARREARS AND CONVERTIBLE LIRA DEPOSTIS; AND B) THE INTEREST PAYMENTS ON PROJECT CREDITS (LINE 9, REF C) CORRESPONDS TO INTEREST ON NEW DISBURSE- MENTS TURKEY EXPECTS TO RECEIVE FROM THE OECD CONSORTIUM AND THE IBRD (LINE 15, REF C).

6. COMMENT: EMBASSY BELIEVES THAT THE KEY STATISTIC IN THE GOVERNMENT'S BALANCE-OF-PAYMENTS PROJECTION IS THAT IMPORTS ARE SCHEDULED TO INCREASE EVERY YEAR. EVEN IF NOEN ACCEPTS THE OVERLY OPTIMISTIC PROJECTIONS ON EXPORT EARNINGS AND WORKERS' REMITTANCES, THE PYRAMID OF COMMERCIAL FINANCING AND DEBT RELIEF NECESSARY TO MAINTAIN CONSTANTLY GROWING IMPORTS WILL LEAVE

TURKEY WITH A WORSE DEBT SERVICE POSITION IN 1982
THAN IT FACES TODAY. AS LONG AS THE ECEVIT GOVERNMENT
FEELS IT IS POLITICALLY UNABLE TO ADOPT A POLICY OF
IMPORT RESTRAINT, ESPECIALLY ON PETROLEUM IMPORTS,
THE PROSPECTS FOR STABILIZATION OF ITS EXTERNAL FINAN-
CIAL POSITION ARE SLIGHT.
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